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TAGS: EINV BEXP ELTN ETRD AG

SUBJECT: BECHTEL POISED TO PREVAIL IN BID PROCESS FOR
CONSTRUCTING AT LEAST ONE SEGMENT OF THE EAST-WEST HIGHWAY

REF: ALGIERS 168

¶1. (U) This cable contains proprietary information. Please
protect accordingly.

BIDS UNSEALED IN FULLY TRANSPARENT PROCESS

¶2. (U) In full view of the Algerian media, public and
diplomats representing the home countries of firms bidding to
build segments of the 7-billion dollar East-West Highway, the
committee evaluating the bids of the competing foreign firms
reviewed the submitted bid materials March 28. In a clear
show of transparency, the committee methodically opened the
boxes of materials submitted by each bidding firm and
verified that all required elements of the bid were present.
A member of the committee's staff then noted the presence or
absence of the necessary documentation on a board at the
front of the room. For each of the three segments of the
highway let for bids -- east, west, and center -- the members
of the committee listed separately on the board the amount of
bond guarantee and the price bid by each firm, according to
the submitted documentation.

BECHTEL WELL POSITIONED TO WIN AT LEAST ONE SEGMENT

¶3. (U) At the end of the meeting, which lasted far longer
than scheduled, the U.S. firm Bechtel, the only bidder
representing a single firm rather than a consortium, came in
as the second-lowest bidder on both the eastern and western
segments (behind a Chinese firm). The Chinese were also the
lowest bidders on the center segment, on which Bechtel did
not bid. The committee announced at the end of the public
session that it would review over the next two weeks the
details of all qualified bids, which were not structured
uniformly and thus not suited to on-the-spot comparisons.
The Algerian press reported March 29 that a winner for each
segment was expected to be announced April 15.

¶4. (SBU) It was widely expected that a Chinese firm would
prevail as the lowest price bidder on all three segments.
Once quality and performance factors are taken into account
by the evaluation committee -- worth 60% of the weighted
final point total -- Bechtel, which is widely regarded by
foreign embassies and competing firms as the leading entity
on quality factors, would be well positioned to win the
contract to construct either the western or eastern segment.
(Note: Bechtel, its competitors, and diplomats expect the
Algerians to award each of the three segments to a different
firm.)

¶5. (SBU) Before the March 28 event, Bechtel believed it had its best chance of prevailing on the western segment. Based on its better than expected finish on the pricing side of the eastern segment, however, Bechtel's chances of winning that segment -- whose construction costs are more expensive than the western segment -- are now considerably improved. At a point during the March 28 event, when it appeared that the Japanese firm came in as the second-lowest bidder on the eastern segment, the Japanese DCM, who is well-versed on the bidding process, acknowledged to Polec Chief that Bechtel was well-positioned to win the eastern segment based on the known price aspects of the accepted bids and Bechtel's presumed advantage on quality and performance factors.

EMBASSY'S ADVOCACY HELPFUL

¶6. (SBU) While it is too early to open a bottle of champagne, Bechtel representatives were pleased and optimistic at this stage of the bidding process and thanked the Embassy for its strong advocacy. Bechtel acknowledged that Ambassador, at very senior levels, and economic/commercial staff worked successfully to educate the GOA on the importance of avoiding a bid evaluation process entailing lowest price automaticity. As a result, factors of quality and proven performance were given more weight, thus creating a more favorable playing field for Bechtel. In addition, at a very early stage in the process, Ambassador, working closely with Bechtel, convinced the government of the advantages of a sovereign-financing rather than a build-operate-transfer approach, a decision that facilitated dividing the project into three sections and increased Bechtel's chance of being awarded one of them.

ERDMAN